

Annual Report
FIRST NATIONAL STORES INC.
year ending

April 1st 1944

BOARDS

9662-7414

F5.01

FIRST NATIONAL STORES INC.

Officers

ARTHUR O'KEEFFE, <i>President</i>	RALPH F. BURKARD, <i>Treasurer</i>
JAMES C. DUANE	<i>Vice-President</i>
BERNARD F. MCGOLDRICK	<i>Vice-President</i>
MORRIS JOSELOFF	<i>Vice-President</i>
JOHN L. MACNEIL	<i>Vice-President</i>
JOHN E. ELWELL	<i>Clerk</i>



Executive Committee

CHARLES F. ADAMS
RALPH F. BURKARD
MORRIS JOSELOFF
BERNARD F. MCGOLDRICK
ARTHUR O'KEEFFE



Directors

CHARLES F. ADAMS	SAMUEL JOSELOFF
CHARLES H. BURGER	JOHN L. MACNEIL
RALPH F. BURKARD	BERNARD F. MCGOLDRICK
JAMES C. DUANE	JAMES J. O'HARE
BYRON M. FLEMMING	MICHAEL J. O'HARE
ROBERT F. IRWIN	ARTHUR O'KEEFFE
MORRIS JOSELOFF	

Somerville, Massachusetts, July 24, 1944.

TO THE STOCKHOLDERS OF
FIRST NATIONAL STORES INC.:

The Annual Report of your Company for the fiscal year ending April 1, 1944 is presented herewith.

The figures given in this report are comparable with those of the prior year as there has been no change in the Company's established method of bookkeeping. The Balance Sheet and Statement of Earnings and Surplus Account have been prepared by independent accountants, Messrs. Price, Waterhouse & Co., and their statement of comments thereon is included in this report.

Results of our operations show a decrease in our sales of 13.89% and a final net profit after all charges and Federal Taxes equivalent to \$2.73 per share as compared with \$3.01 per share for the previous fiscal year.

The following is a condensed summary of operations for the fiscal year ending April 1, 1944, compared with operations for the fiscal year ending March 27, 1943.

	<i>For The Fiscal Year Ending</i>	
	<i>April 1, 1944</i>	<i>March 27, 1943</i>
	(53 Weeks)	(52 Weeks)
Retail stores sales	\$164,924,978	\$187,839,592
Net profits after taxes, depreciation and all charges and available for dividends	\$2,235,104	\$2,465,079
Earnings per share of common stock (on shares outstanding at end of year)	\$2.73	\$3.01

	<i>As Of</i>	
	<i>April 1, 1944</i>	<i>March 27, 1943</i>
Net working capital (current assets less current liabilities)	\$17,604,801	\$18,154,916
Fixed or property assets (less depreciation)	\$9,269,653	\$10,034,995
Net worth	\$26,233,098	\$26,044,414
Earned surplus	\$19,496,819	\$19,308,135

On the following page are graphic charts which show the results of our operations for the past eighteen years.

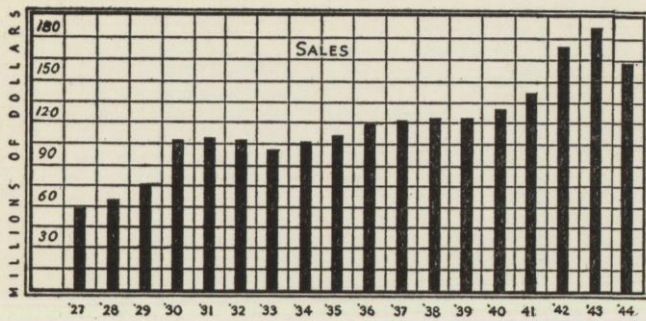
DEPRECIATION CHARGES AND MAINTENANCE CHARGES

	<i>Fiscal Years</i>		
	<i>1944</i>	<i>1943</i>	<i>1942</i>
Depreciation charges	\$955,488	\$ 986,380	\$1,004,865
Maintenance repairs and renovation charges	\$873,783	\$ 952,847	\$1,118,664

The above amounts were charged to earnings in their respective years to cover the depreciation, maintenance repairs and renovation of all of our depreciable assets, including buildings owned, store and plant fixtures, improvements, machinery, equipment, automobiles and trucks.

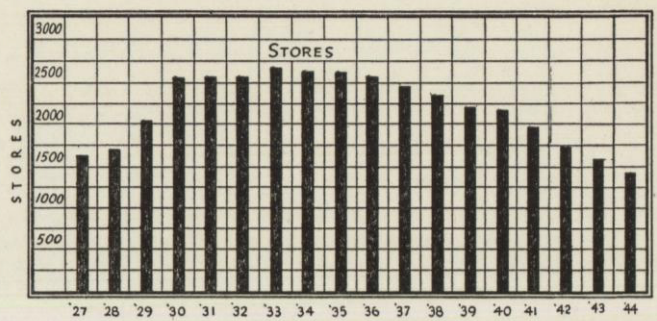
DIVIDENDS PAID

For the fiscal year ending April 1, 1944, four quarterly dividends of 62½ cents a share totaling \$2.50 were paid on the common stock outstanding.



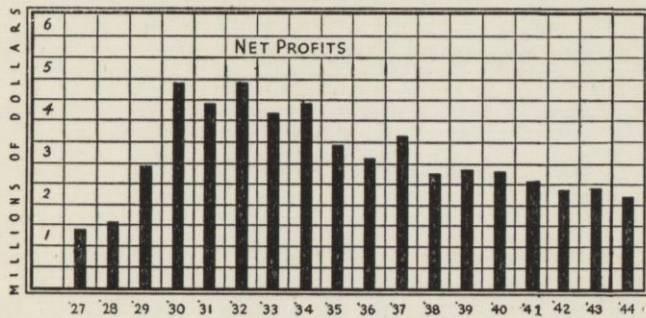
Retail Store Sales—Fiscal Years

1927	\$59,038,304	1933	\$100,892,947	1939	\$124,222,955
1928	64,445,962	1934	105,812,781	1940	131,041,157
1929	75,884,639	1935	111,323,463	1941	142,680,921
1930	107,635,216	1936	119,575,417	1942	174,378,932
1931	108,196,686	1937	120,682,961	1943	187,839,592
1932	107,634,383	1938	124,294,617	1944	164,924,978



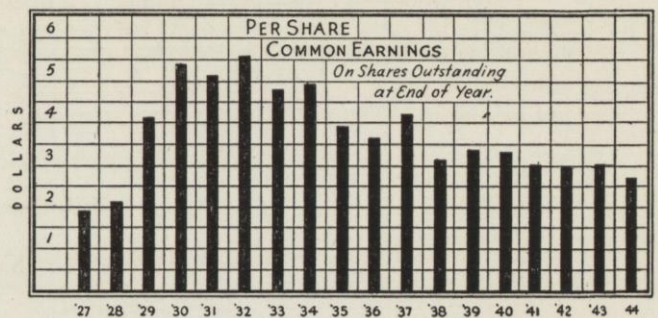
Stores—Fiscal Years

1927	1681	1933	2705	1939	2244
1928	1717	1934	2653	1940	2137
1929	2002	1935	2623	1941	1923
1930	2549	1936	2556	1942	1748
1931	2548	1937	2473	1943	1585
1932	2546	1938	2350	1944	1463



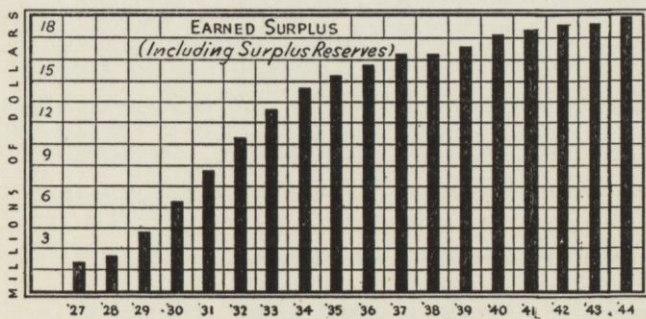
Net Profits—Fiscal Years

1927	\$1,492,193	1933	\$4,220,099	1939	\$2,774,366
1928	1,593,358	1934	4,394,830	1940	2,739,074
1929	2,904,884	1935	3,433,504	1941	2,508,719
1930	4,773,446	1936	3,163,329	1942	2,380,294
1931	4,479,108	1937	3,647,001	1943	2,465,079
1932	4,825,611	1938	2,705,191	1944	2,235,104



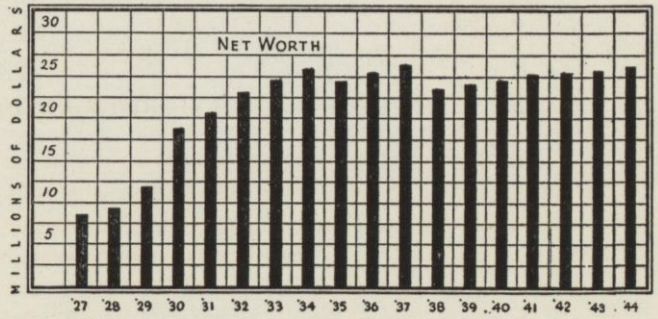
Per Share Common—Fiscal Years

1927	\$1.92	1933	\$4.78	1939	\$3.38
1928	2.09	1934	4.97	1940	3.34
1929	4.07	1935	3.89	1941	3.06
1930	5.39	1936	3.65	1942	2.90
1931	5.03	1937	4.24	1943	3.01
1932	5.52	1938	3.14	1944	2.73



Surplus (Including Surplus Reserves)
Fiscal Years

1927	\$1,996,375	1933	\$12,666,672	1939	\$17,423,131
1928	2,238,303	1934	14,213,494	1940	18,112,565
1929	3,987,782	1935	15,121,448	1941	18,572,964
1930	6,369,726	1936	16,062,827	1942	18,889,476
1931	8,371,910	1937	16,670,118	1943	19,308,135
1932	10,816,321	1938	16,688,036	1944	19,496,819



Net Worth—Fiscal Years

1927	\$8,723,782	1933	\$24,644,049	1939	\$24,216,168
1928	8,965,710	1934	26,190,916	1940	24,874,883
1929	11,724,410	1935	24,820,470	1941	25,293,286
1930	18,347,148	1936	25,761,849	1942	25,625,755
1931	20,349,333	1937	26,369,140	1943	26,044,414
1932	22,793,743	1938	23,746,089	1944	26,233,098

GROCERY STORES AND MARKETS

Your company had in operation on	<i>April 1, 1944</i>	<i>March 27, 1943</i>
Grocery Stores	1,057	1,162
Markets or Combination Grocery, Fruit, Vegetable and Meat Stores	406	423
Total Grocery Stores and Markets	1,463	1,585

As of April 1, 1944, we had in operation 122 fewer stores than on March 27, 1943. Of the 1,057 grocery stores, 155 are of the Self-Service type and of the 406 markets, 265 are Self-Service markets. It is our plan to open additional stores and markets of the Self-Service type as soon as the materials for construction and equipment are again available for civilian use.

BANK LOANS

During the past fiscal year we paid \$640,000 on our loan with the First National Bank of Boston. On May 11, 1944, a further payment of \$320,000 was made and the unpaid balance at this time amounts to \$2,400,000. This loan, originally \$4,000,000 was made on May 11, 1942 and calls for semi-annual payments of \$320,000 each and the final balance is due in 1947. We have the privilege of paying the balance before maturity if we elect to do so.

TAXES

For the fiscal year ending April 1, 1944, earnings were charged with direct taxes of \$4,374,410. This amounts to 66% of our profits before taxes for the year or \$5.34 for each share of our Common Stock. A summary of our direct taxes follows.

<i>Fiscal Year</i>	<i>Total Direct Taxes</i>	<i>% of Income (before taxes)</i>	<i>Per Share On Common</i>	<i>Per Store Operated</i>
1944	\$4,374,410	66%	\$5.34	\$2,990
1943	4,779,787	66%	5.84	3,015
1942	2,647,530	52%	3.23	1,514
1941	2,002,231	44%	2.44	1,041
1940	1,656,274	37%	2.02	753
1935	1,111,096	24%	1.36	420
1930	796,693	14%	.97	324

COMMENTS

The decline in our sales and profits during the past fiscal year were due to a number of factors, the principal one of which has been the greatly reduced and limited supply of high quality beef available for civilian consumption. Our company for years has had a substantial quality meat business. Present O. P. A. regulations prevent profitable finishing of cattle by corn feeders and consequently a greatly reduced supply of beef of top quality is coming to the market, and the amount that does reach the market is channeled largely through the government for military purposes and by the packers through outlets which can return to the packer more money than our company can legally pay under present O. P. A. regulations.

To correct this situation, we acquired a meat packing plant in Omaha, Nebraska, on January 1, 1944. This has been helpful and currently there is improvement in our total sales as a result of this acquisition. We are now investigating the possibilities of securing an additional meat plant. Your company officials will continue their efforts to obtain our proper share of quality beef and other scarce and rationed foods.

PENSION PLAN

The Officers and Directors of the Company had been considering the establishment of a pension plan for those employees whose salaries exceeded \$3,000.00 per annum to supplement the benefits which they would receive under social security. Such a plan, by guaranteeing to employees a reasonable allowance during their years of retirement, which would reflect their compensation in excess of \$3,000.00 per annum, is beneficial to the Company as well as to the employees, since it makes for more efficient, loyal and continuous service.

To encourage the funding of pensions to employees the Revenue Act of 1942 permitted an employer to deduct from gross income for tax purposes certain sums irrevocably paid into an exempt pension trust fund computed on an actuarial basis. Accordingly the Directors on March 28, 1944, approved a Supplemental Pension Plan for employees with basic salaries exceeding \$3,000.00 per annum (excepting store managers, the great majority of whom have a fixed basic annual salary under \$3,000.00) and authorized, subject to approval as a Tax-Exempt Trust by the Treasury Department, the execution of a pension trust agreement with the Old Colony Trust Company of Boston, Massachusetts. The estimated cost of continuing the plan in the future, provided that substantially the same number of employees are beneficiaries under it, will be approximately \$140,000.00 a year for the first ten years, and thereafter about \$80,000.00 per year. The contribution of \$140,000.00 made in March, 1944, has the effect of reducing the net earnings of the Company, after taxes, by approximately 3 cents per share. Further information regarding the pension plan is contained in the proxy statement accompanying the call of a special meeting of the stockholders transmitted herewith. The Company will be pleased to mail to any stockholder a booklet describing the plan in detail.

STOCKHOLDERS

Our latest dividend list shows 9,542 common stockholders. These shareholders reside in practically every city and town in New England where our stores are located and throughout the rest of the United States and some foreign countries as well. We have an average of over six stockholder-owners for each store we operate.

The following table shows the number of our common shareholders at various intervals since 1926.

1944	1938	1932	1926
9,542	9,228	4,607	1,304

Our company now has over 5,300 of its employees in the Military Services of our Country and we earnestly hope for their safe and victorious return. To those employees now with us we take this opportunity to record here our thanks and appreciation for their continued support and cooperation in carrying on our business under most difficult and trying conditions due to the war.

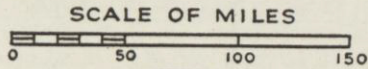
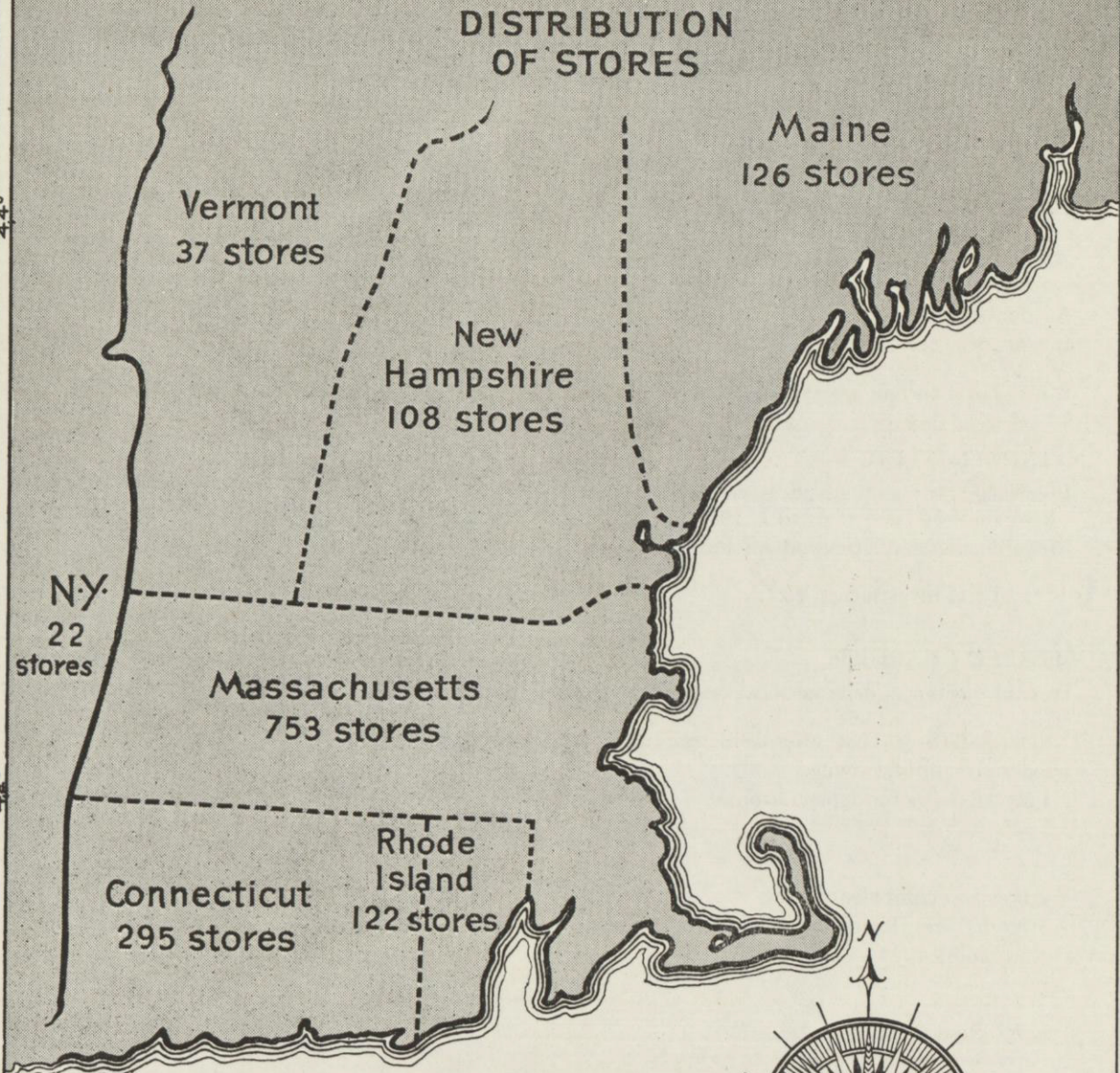
SPECIAL STOCKHOLDERS' MEETING—PROXIES

A notice of a special meeting of Stockholders, (in lieu of our usual annual meeting), proxy statement and proxy accompany this report. STOCKHOLDERS ARE REQUESTED TO SIGN THE MANAGEMENT'S AUTHORIZED PROXY AND MAIL PROMPTLY IN THE ENVELOPE PROVIDED. Your immediate attention to this important matter will be greatly appreciated and will save your Company much time and expense.

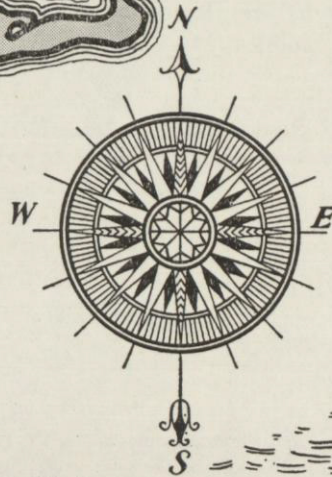
ARTHUR O'KEEFFE,
President.

FIRST NATIONAL STORES INC.

GEOGRAPHICAL DISTRIBUTION OF STORES



Total Number of Stores
as of April 1, 1944
1463



72°

70°

FIRST NATIONAL STORES INC.
BALANCE SHEET—APRIL 1, 1944
(With comparative figures as of March 27, 1943)

ASSETS	<i>April 1,</i> <i>1944</i>	<i>March 27,</i> <i>1943</i>
CURRENT ASSETS:		
Cash in banks and on hand	\$ 7,077,565	\$ 7,407,762
U. S. Government securities (at market quotations April 1, 1944—approximately \$98,500)	94,800	94,800
Accounts receivable, including \$63,159 owing from subsidiary companies at April 1, 1944, less reserve	811,351	396,806
Accounts receivable—officers and employees	5,267	8,960
Inventories (See Note)	18,737,698	19,665,199
Total current assets	\$26,726,681	\$27,573,527
INVESTMENTS, ETC.:		
Investments in and advances to wholly-owned subsidiaries—at cost, less reserve of \$40,000 at April 1, 1944.	\$ 1,000,833	\$ 317,603
Miscellaneous securities and advances	63,763	71,269
Total investments, etc.	\$ 1,064,596	\$ 388,872
DEFERRED CHARGES:		
Prepaid insurance, deferred local taxes, supplies, etc.	\$ 953,958	\$ 775,493
FIXED ASSETS (at cost, after deducting fully-depreciated assets):		
Land and buildings owned	\$ 8,290,067	\$ 8,248,885
Less—Reserve for depreciation, etc.	2,642,050	2,370,038
.	\$ 5,648,017	\$ 5,878,847
Fixtures and equipment, etc.—		
Store fixtures, leased property improvements, machinery and equipment	\$ 6,377,514	\$ 6,862,119
Automobiles	393,833	386,171
.	\$ 6,771,347	\$ 7,248,290
Less—Reserve for depreciation	3,149,711	3,092,142
.	\$ 3,621,636	\$ 4,156,148
Total fixed assets	\$ 9,269,653	\$10,034,995
GOODWILL	\$ 1	\$ 1
	\$38,014,889	\$38,772,888

NOTE: Merchandise in retail stores at April 1, 1944 and March 27, 1943 was valued at approximate average cost (on the basis of first in, first out) which did not exceed market; other merchandise, materials and supplies (aggregating \$10,609,329 at April 1, 1944 and \$10,872,365 at March 27, 1943) were valued at cost on the basis of last in, first out, or at market where lower in the case of individual items.

FIRST NATIONAL STORES INC.
BALANCE SHEET—APRIL 1, 1944
(With comparative figures as of March 27, 1943)

LIABILITIES	<i>April 1,</i> <i>1944</i>	<i>March 27,</i> <i>1943</i>
CURRENT LIABILITIES:		
Note payable to bank (portion due within one year)	\$ 640,000	\$ 640,000
Accounts payable, including \$71,435 owing to subsidiary companies at April 1, 1944	3,695,817	4,421,861
Accrued local and state taxes and other expenses	2,088,811	1,876,545
Employees' investment certificates	241,940	259,220
Reserve for estimated federal income and excess profits taxes (after deducting \$1,000,000 U. S. Treasury tax savings notes on hand at April 1, 1944)	2,455,312	2,220,985
Total current liabilities	\$ 9,121,880	\$ 9,418,611
NOTE PAYABLE TO BANK (installments due after one year)	\$ 2,080,000	\$ 2,720,000
RESERVES:		
For contingencies	\$ 334,600	\$ 334,600
Miscellaneous	245,311	255,263
Total reserves	\$ 579,911	\$ 589,863
CAPITAL STOCK AND SURPLUS:		
Common stock—		
Authorized—1,000,000 shares without par value		
Issued—827,634 shares	\$ 6,977,422	\$ 6,977,422
Earned surplus	19,496,819	19,308,135
Together	\$26,474,241	\$26,285,557
Deduct:		
Common stock held in treasury—9,057 shares, at reduced amounts carried on books	241,143	241,143
Total capital stock and surplus, less treasury stock	\$26,233,098	\$26,044,414
	\$38,014,889	\$38,772,888

TO THE STOCKHOLDERS OF FIRST NATIONAL STORES INC.:

We have examined the balance sheet of First National Stores Inc. as of April 1, 1944 and the statements of earnings and surplus for the fiscal year ending on that date. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances, and included such tests of the accounting records and other supporting evidence and such other procedures as we considered necessary.

In our opinion, the accompanying comparative balance sheet and related statements of earnings and surplus present fairly the position of First National Stores Inc. at April 1, 1944 and the results of its operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Boston, Massachusetts.
June 22, 1944.

PRICE, WATERHOUSE & CO.

FIRST NATIONAL STORES INC.

STATEMENT OF EARNINGS—FISCAL YEAR (53 WEEKS) ENDING APRIL 1, 1944

Sales		\$164,924,978
<i>Less:</i>		
Cost of sales, expenses, etc. (exclusive of depreciation)		158,435,645
		\$ 6,489,333
<i>Deduct:</i>		
Depreciation on fixed assets		955,488
		\$ 5,533,845
<i>Add—Other income:</i>		
Interest and dividends received—		
From subsidiaries	\$ 40,000	
From others	14,747	54,747
		\$ 5,588,592
<i>Deduct—Other charges:</i>		
Interest paid	\$ 95,156	
Loss on disposition of fixed assets (net)	53,062	
Write-down of investments in subsidiaries	15,270	163,488
		\$ 5,425,104
<i>Deduct:</i>		
Provision for estimated federal taxes on income—		
Income taxes	\$1,282,000	
Excess profits taxes (after deducting \$212,000 for debt retirement credit)	1,908,000	3,190,000
		\$ 2,235,104
		\$ 2,235,104

STATEMENT OF SURPLUS FOR THE FISCAL YEAR ENDING APRIL 1, 1944

Earned surplus at March 27, 1943		\$ 19,308,135
<i>Add:</i>		
Net profit for the fiscal year ending April 1, 1944		2,235,104
		\$ 21,543,239
<i>Deduct:</i>		
Dividends paid on common stock		2,046,420
		\$ 19,496,819
Earned surplus at April 1, 1944		\$ 19,496,819

1890
1891
1892